

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 ABF-01 FS-01 AGR-05

STR-04 PA-01 PRS-01 /062 W
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R 121955Z AUG 75

FM AMEMBASSY PORT OF SPAIN

TO SECSTATE WASHDC 8106

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

LIMITED OFFICIAL USE PORT OF SPAIN 2023

E.O. 11652: N/A

TAGS: EFIN, TD

SUBJ: GOTT STILL UNDECIDED RE. PEGGING T & T DOLLAR
TO U.S. DOLLAR

REF: PORT OF SPAIN 1718

1. DESPITE CAMPAIGN MOUNTED OVER PAST MONTH BY BUSINESSMEN
(LARGELY IMPORTERS) TO ENCOURAGE GOTT TO TIE TRINIDAD
DOLLAR TO U.S. DOL-4, MINISTRY OF FINANCE IS STILL
"STUDYING" THE MATTER. THE RECENT WEAKNESS OF STERLING
NOW HAS RESULTED IN A 15 PERCENT DEVALUATION OF THE
T & T DOLLAR VIS-A-VIS A NON-STERLING-LINKED CURRENCIES,
WHICH IMPORTERS CITE AS EVIDENCE THAT PRICES WILL RISE
ON A WIDE RANGE OF ITEMS IMPORTED FROM NON-STERLING
COUNTRCSS. EXPORTERS, OF COURSE, IN THEORY GAIN FROM
DEVALUATIONS, BUT OIL AND SUGAR ARE PRICED IN HARD
CURRENCIES AND MINOR EXPORTERS CLAIM THAT RISING
COST OF INPUTS LARGELY WIPES OUT ANY GAINS THEY
MIGHT ENJOY.

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2. SEPARATE FROM QUESTION OF WHETHER TO PET T & T DOLLAR WITH U.S. DOLLAR, SDR'S, OR SOME OTHER STANDARD IS WHAT EXCHANGE RATE TO ADOPT. MOST BUSINESSMEN WOULD BE CONTENT TO SEE A RATE CLOSE TO TT\$2.00 EQUALS US \$1.00, WHICH IS RATE WHICH PREVAILS WHEN STERLING IS WORTH US \$2.40. OTHER VOICES HAVE HINTED AT A FURTHER REVALUATION (REFTEL), ADDUCING VARIOUS POLITICAL AND ECONOMIC CONSIDERATIONS IN SUPPORT OF SUCH A MOVE. MOST TRINIDADIAN'S SEEM LESS CONCERNED AT PROSPECT OF HIGHER IMPORT PRICES THAN THEY DO AT RISING VALUE OF BARBADOS DOLLAR, WHICH WAS AT PAR WITH T & T DOLLAR UNTIL RECENT ACTION TO LINK WITH U.S. DOLLAR AT BDS\$2.00 EQUALS US\$1.00. TRINIDADIAN'S BELIEVE THE CURRENCY IS STRONGER THAN ANY OTHER CARICOM CURRENCY, CITING BALANCE OF PAYMENTS SUPPORT TO OTHER CARICOM CENTRAL BANKS, AND ARE IRKED TO FIND T & T DOLLAR ACTUALLY DECREASING IN VALUE.

3. COMMENT: MINISTER OF FINANCE GEORGE CHAMBERS ACKNOWLEDGED TO CHARGE' AUGUST 11 THAT GOTT INDEED IS PONDERING ENTIRE ISFSE, AND SAID THAT MATTER WOULD BE RESOLVED IN WAY TO MINIMIZE DAMAGE TO VARIOUS CONFLICTING INTERESTS. MINISTER GAVE IMPRESSION THAT THIS SOLUTION HAS NOT YET BEEN FOUND, AND GOTT SEEMS TO WISH THAT STERLING WILL SUDDENLY REBOUND IN VALUE AND REDUCE PRESSURE ON GOVERNMENT TO TAKE ACTION. LOCAL BETTING IS THAT GOTT MAY ANNOUNCE SOME MONETARY ACTION OVER

WEEKEND OF AUGUST 31. MEANWHILE, BUSINESSMEN AND PRIVATE INDIVIDUALS WITH T & T DOLLAR OBLIGATIONS ARE BRINGING IN LARGE AMOUNTS OF FOREIGN CURRENCIES. RICH

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Margaret P. Grafeld
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